

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 TRSE-00 FEAE-00 AEC-11 AID-20

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: ENERGY: CANADIAN SEPTEMBER OIL EXPORT TAX

REF: OTTAWA 2508

1. COMPARATIVE DATA, PUBLISHED IN PETROLEUM INTELLIGENCE WEEKLY JULY 22, SHOW MINIMUM PER BARREL TRANSFER PRICES FOR FOREIGN OIL DELIVERED IN CHICAGO AS FOLLOWS: ARABIAN LIGHT 34 DEGREE, DOLS 11.665; TIA JUANA LIGHT 31 DEGREE (VENEZUELA), DOLS 11.265; CANADIAN SWEET 39 DEGREE, DOLS 12.565; AND NIGERIAN LIGHT 34 DEGREE, DOLS 13.095 PER BARREL.

2. MINIMUM MARKET PRICES (EXCEPT CANADIAN) SLIGHTLY HIGHER BUT COMPENSATED BY DROP IN RECENT SPOT TANKER
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RATES. PRICES PER BARREL DELIVERED IN CHICAGO ARE

ARABIAN LIGHT 34 DEGREE, DOLS 10.795 (INCLUDES
DOLS .84 TRANSPORTATION VERSUS DOLS 1.91 ABOVE); TIA JUANA

LIGHT 31 DEGREE, DOLS 11.275; CANADIAN SWEET 39 DEGREE,
DOLS 12.565; AND NIGERIAN LIGHT 34 DEGREE, DOLS 13.195.

3. PLATT'S OILGRAM PRICE SERVICE CARRIES COMMENT AUGUST 2
THAT QTE THE WEST CANADIAN PRODUCERS ARE UNHAPPY WITH
SITUATION AS THEY ARE BEING SQUEEZED OUT OF THE US MARKET
BY THE EXPORT TAX ON CANADIAN CRUDE UNQTE.

4. DEPARTMENT AWARE THAT COMPARISONS AMONG PRICES FOR
CRUDES WITH SOMEWHAT DIFFERENT CHARACTERISTICS ARE
ESPECIALLY DIFFICULT IN CURRENT SITUATION WITH MORE
KINDS OF PRICING ARRANGEMENTS THAN EVER BEFORE. LATEST
PIW REPORTS CONSENSUS THAT IT ALMOST IMPOSSIBLE TO SORT
OUT THE WORLD PRICE STRUCTURE AT THE MOMENT.

5. HOWEVER, WE NOTE SUBSTANTIAL DISPARITY BETWEEN
DOLS 5.20 EXPORT TAX, REPRESENTING THE DIFFERENCE
BETWEEN THE DOMESTIC CANADIAN PRICE FOR CRUDE OIL AND
THE PRICE IN THE US FOR OTHER IMPORTED OIL, AND GOC
SUBSIDY OF APPROXIMATELY DOLS 3.10 PER BARREL
(OTTAWA 2227) TO RECONCILE THE CANADIAN PRICE LEVEL
WITH THAT OF WORLD PRICE FOR CRUDE OIL. THESE FIGURES
MAY PROVIDE BASIS FOR DISCUSSION WITH GOC AT DISCRETION
OF EMBASSY.

6. TO FACILITATE CONTINUED DIALOGUE ON THIS ISSUE AND
FOR OUR FUTURE REFERENCE, DEPARTMENT WOULD APPRECIATE
DETAILED DESCRIPTION OF CANADIAN CALCULATIONS EMPLOYED
TO REACH DOLS 5.20 LEVEL OF EXPORT TAX AND HOW THIS
TAX LEVEL COMPARES WITH THE GOC SUBSIDY. KISSINGER

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